

Message Text

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 4866

S E C R E T SECTION 1 OF 2 KUWAIT 1163/1

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SUMMARY: AS REQUESTED REFTEL, EMBASSY AGAIN SUMMARIZES US/ KUWAITI BILATERAL RELATIONS AND PROSPECTS FOR KUWAIT INTERNALLY AND IN THE GULF AND INTERNATIONAL ARENA. WE SEE CONTINUED LOCAL STABILITY AND A GROWING IMPORTANCE TO THE US OF KUWAIT'S MONEY, OIL AND GEOGRAPHIC POSITION. DESPITE ITS DESIRES, THERE APPEARS NO REAL PROSPECT IN THE NEAR TERM FOR THE GOK TO EXERCISE SUBSTANTIAL INFLUENCE OVER ITS SMALLER NEIGHBORS NOR MEASURABLE INFLUENCE OVER THE POLICIES AND ACTIONS OF THE REGION'S MAJOR POWERS. KUWAIT CAN BE HELPFUL IN ENCOURAGING MORE REGIONAL COOPERATION, PARTICULARLY IN THE ECONOMIC/FINANCIAL AREA. THIS POSITIVE FACTOR COULD BE MORE THAN OFFSET BY UNWITTING KUWAIT EXPORT OF RADICAL IDEAS DETRIMENTAL TO MORE CONSERVATIVE LOCAL REGIMES AND BY "SPOILING" TACTICS NOT CONDUCIVE TO STABILITY IN THE REGION. KUWAIT WILL CONTINUE TO FRUSTRATE US POLICY-MAKERS BY FOLLOWING ITS "PROGRESSIVE" FOREIGN POLICIES AND THROUGH FLIRATIONS WITH COMMUNIST-BLOC COUNTRIES. A CONTINUED EVEN-HANDED US POLICY TOWARD KUWAIT IS RECOMMENDED. END SUMMARY.

1. KUWAIT HAS THREE THINGS OF MAJOR INTEREST TO THE UNITED STATES--MONEY, OIL AND A STRATEGICALLY IMPORTANT POSITION AT THE HEAD OF THE PERSIAN GULF. WE SUSPECT THAT KUWAITI INVESTMENT IN THE US OVER THE NEXT DECADE WILL AVERAGE IN EXCESS OF \$1 BILLION
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EACH YEAR. DESPITE GROWING SALES OF PETROLEUM AND LPG AS WELL AS POSSIBLE HIGHER LEVEL OF REMITTANCES FROM INVESTMENTS, COMBINATION OF US EXPORTS TO KUWAIT AND ADDITIONAL KUWAITI INVESTMENT IN US SHOULD LEAD TO NET ANNUAL POSITIVE BALANCE OF

PAYMENTS BETWEEN TWO COUNTRIES OF SEVERAL HUNDREDS OF MILLIONS OF DOLLARS. TWO-WAY TRADE BETWEEN KUWAIT AND US COULD APPROACH \$1 BILLION ANNUALLY BY 1980. HOPEFULLY, KUWAIT WILL CONTINUE MASSIVE FINANCIAL SUPPORT FOR EGYPT AND OTHER FRIENDLY ARAB COUNTRIES, AND IT WILL REMAIN AN IMPORTANT SOURCE OF AID AND INVESTMENT FUNDS FOR OTHER LDCS. IN ADDITION, GOK CAN BE EXPECTED TO PLAY A POSITIVE AND INNOVATIVE ROLE IN INTERNATIONAL FINANCE, PARTICULARLY WITH RESPECT TO DEVELOPMENT AID.

2. THE PHYSICAL LOCATION OF KUWAIT WILL ALSO GROW IN IMPORTANCE. KUWAIT PROVIDES A BUFFER (OR ENTRYWAY) BETWEEN SAUDI ARABIA'S VITAL OIL FIELDS AND POSSIBLE AGGRESSORS FROM THE NORTH, INCLUDING CONCEIVABLE IRAN. ITS MODERN PORTS WILL PLAY AN INCREASINGLY SIGNIFICANT ROLE IN HELPING DEVELOPE NOT ONLY KUWAIT, BUT SAUDI ARABIA AND IRAQ AS WELL. CONTINUED FAILURE TO RESOLVE THE EXISTING BORDER DISPUTE WITH THE LATTER COUNTRY REPRESENTS A POTENTIAL SOURCE OF AREA TROUBLE, WITH POSSIBLE ADVERSE IMPLICATIONS FOR IMPROVED US/IRAQI RELATIONS. OF LESSOR CONSEQUENCE BUT ALSO OF SIGNIFICANCE TO THE US IS KUWAIT'S ROLE IN OTHER PARTS OF THE GULF AND IN INTERNATIONAL AFFAIRS.

3. KUWAIT IS BASICALLY A MODERN CITY STATE AND A PASSING PHENOMENON. MONEY MAKES IT STICK TOGETHER, DIRIVED PRINCIPALLY FROM THE WORLD'S SECOND LARGEST OIL FIELD (BURGAN). SINCE PRODUCTION BEGAN IN 1947 ABOUT 30 PERCENT OF KNOWN RECOVERABLE RESERVES HAVE BEEN PRODUCED. AT LEAST 50 BILLION BARRELS REMAIN IN PLACE AND ENSURE PRODUCTION WELL INTO THE NEXT CENTURY. WITH ITS MONEY KUWAIT BUYS THE GOOD LIFE (THE WORLD'S MOST COMPLETE WELFARE STATE), GOOD WILL (THROUGH AID AND GRANTS TO ITS NEIGHBORS AND THE LDCS), INSURANCE (A NOT TOO FORMIDABLE BUT POTENTIALLY SOPHISTICATED MILITARY ESTABLISHMENT) AND A SUBSTANTIAL TRUST FUND (VATICAN-STYLE) FOR WHEN THE OIL RUNS OUT. NONE OF THE ABOVE WILL BE LONG-LIVED, BUT KUWAIT WILL REMAIN IMPORTANT BECAUSE OF THEM FOR AT LEAST THE NEXT FIFTY YEARS.

4. THE SABAH FAMILY HAS RULED SUCCESSFULLY BECAUSE IT HAS PRODUCED COMPARITIVELY GOOD LEADERS AND PRACTICES SMART POLITICS.
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LESS GENEROUSLY, IT IS VIEWED AS BETTER THAN PERCEIVED ALTERNATIVES. THIS PERCEPTION IS SHARED BY ALL IMPORTANT SEGMENTS OF KUWAITI SOCIETY, NO MATTER HOW SCORNFUL SOME OF THESE SEGMENTS MAY BE OF PARTICULAR SABAH FAILINGS. THE FAMILY HAS IN RECENT YEARS PRESERVED ITS POSITION BY STAYING OUT AHEAD OF THE WISHES OF ITS OPPOSITION AND DELIVERING ON ITEMS AND REFORMS IN ADVANCE OF OPPOSITION CAMPAIGNS. A STRONG PLUS IS THAT THE FAMILY TREATS KUWAIT'S VAST OIL MONIES AS A STATE RATHER THAN A PERSONAL ASSET. IT PROBABLY WILL BE ABLE TO REMAIN IN EFFECTIVE CONTROL FOR THE NEXT FIFTEEN YEARS (KUWAIT'S 15TH ANNIVERSARY WAS CELEBRATED ON FEBRUARY 25). EVENTUALLY, HOWEVER, ITS ROLE WILL BE DIMINISHED OR ELIMINATED THROUGH GRADUAL SOCIAL CHANGES OR, LESS DESIRABLY, THROUGH INTERNAL OR EXTERNAL ARMED INTERVENTION. MEANWHILE, THE

RULING FAMILY CAN BE EXPECTED TO CONTINUE TO BUY TIME THROUGH GENEROUS HANDOUTS TO THE POPULACE AND PARLIMENT, BY ANTICIPATING PROBLEMS AND THROUGH THE STABILITY INHERENT IN THE EXISTING ESTABLISHMENT WITH ITS INTER-WOVEN STRUCTOR OF TRIBAL, POLITICAL AND COMMERCIAL ALLIANCES. MOREOVER, THE PROCESS OF INSTITUTION BUILDING HAS BEGUN, AND THIS PROCESS SHOULD ADD TO KUWAIT'S BASIC STABILITY.

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5. THE ESTABLISHMENT'S PRINCIPAL PROBLEM IS THAT THERE ARE TOO FEW KUWAITIS (47 PERCENT OF THE POPULACE) DOING TOO LITTLE WORK (20 PERCENT OF THE LABOR FORCE). THIS IMBALANCE IS LIKELY TO CONTINUE TO EXIST AS THE COUNTRY'S POPULATION GROWS TOWARDS TWO MILLION SOMETIMES BEFORE THE YEAR 2000. WHILE THE TRADITION OF HARD WORK MOSTLY PERSISTS AMONG THE SONS OF KUWAIT'S ELITE, IT IS NOT ESTABLISHED FOR MANY YOUNGER KUWAITIS WHO ARE PERFECTLY WILLING TO BENEFIT FROM WITHOUT CONTRIBUTING SUBSTANTIALLY TO THE BUSINESS OF KEEPING KUWAIT SOUND. RESTRICTIVE IMMIGRATION POLICIES ADD FURTHER TO THE IMBALANCE. DISCRIMINATORY POLICIES WITH RESPECT TO WAGES AND BENEFITS ARE A SORE SUBJECT WITH KUWAIT'S LARGE EXPATRIATE WORK FORCE AND A POTENTIAL SOURCE OF TROUBLE. UNTIL NOW, THE ATTRACTIVENESS OF KUWAIT AS A PLACE TO WORK BECAUSE OF LACK OF OPPORTUNITY ELSEWHERE HAS NOT MADE SUCH DISCRIMINATORY PRACTICES A CAUSE FOR CONCERN. HOWEVER, OPPORTUNITIES NOW ABOUND IN THE AREA AND KUWAIT'S DESPISED BUT BADLY NEEDED EXPATRIATE WORK FORCE HAS BEGUN TO MOVE LEAVING THE ESTABLISHMENT WITH A DELIMMA -- EITHER KUWAITIS MUST WORK OR IT MUST TREAT ITS EXPATRIATES BETTER.

6. THE EXPATRIATE GROUP THAT CANNOT EASILY MOVE IS KUWAIT'S PALESTINIAN COMMUNITY, WHICH REPRESENTS MORE THAN ONE-QUARTER OF THE POPULATION. EVEN IN THE UNLIKELY EVENT THE ARAB/ISRAELI DISPUTE IS RESOLVED IN A MANNER PERMITTING REPATRIATION OF THE PALESTINIANS TO THEIR HOMELAND IT IS DOUBTFUL THAT MANY WILL CHOOSE TO LEAVE. THEY HAVE A BETTER LIFE HERE THAN AT HOME. THEY ALSO ARE INFLUENTIAL, OCCUPYING MANY KEY JOBS IN GOVERNMENT AND INDUSTRY. THEIR PRESENCE REQUIRES THAT THE GOK LEND MORE SUPPORT

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TO THE PALESTINIAN CAUSE THAN IT PROBABLY REALLY DESIRES. WHILE GENERALLY SATISFIED WITH THEIR GOURGEOIS EXISTENCE, THE PALESTINIANS RESENT KUWAIT ARROGANCE AND THEIR STATUS AS THIRD-CLASS CITIZENS. IF KUWAITI LEADERSHIP FALTERS, THEY POSE A POTENTIAL THREAT.

7. ANOTHER POTENTIALLY DANGEROUS, BUT LESS ORGANIZED GROUP, IS THE LARGE MASS OF "NEW" KUWAITIS, PRINCIPALLY OF BADU ORIGIN, WHO HAVE CONTRIBUTED MOST TO THE INCREASE OF BONAFIDE KUWAITI CITIZENS FROM ABOUT 100,000 IN 1947 TO NEAR 500,000 TODAY. THIS GROUP CONSTITUTES KUWAIT'S GROWING MIDDLE CLASS. THE FATHERS ARE GENERALLY LOYAL TRIBAL SUPPORTERS OF THE SABAH FAMILY. THE SONS ARE BETTER EDUCATED AND FORM THE NUCLEOUS OF KUWAIT'S ARMY AND EVOLVING MIDDLE-MANAGEMENT IN THE PRIVATE SECTOR. WHILE MANY ARE CONTENT TO FREE-LOAD ON THE WELFARE STATE, OTHERS ARE DETERMINED TO MOVE UPWARD IN KUWAITI SOCIETY. ALTHOUGH THEY DISPLAY THE SAME ARROGANCE AS THE ELITE TOWARDS FOREIGNERS, PARTICULARLY OTHER ARABS, THEY COVET THE GREAT WEALTH OF THE "OLD" KUWAITIS AND RESENT THE SUBTLE DISCRIMINATION SHOWN TOWARDS THEM BY THE ESTABLISHMENT.

8. THE NATIONAL ASSEMBLY DOES NOT YET POSE A SERIOUS CHALLENGE TO THE FAMILY. MUCH OF THE MEMBERSHIP IS INCOMPETENT AND LOYAL TO THE SABAHS. HOWEVER, THE MOMENTUM TOWARDS CHANGE IS MOST EVIDENT AND RAPID IN THIS KUWAITI INSTITUTION. ITS INFLUENCE WILL GROW. THE CALIBRE OF DEPUTIES IS IMPROVING AND THEY ARE BECOMING MORE PRONE TO CHALLENGE GOVERNMENT ACTIONS (OR LACK OF ACTION). THE ASSEMBLY PROVIDES A FORUM FOR KUWAIT'S SMALL LEFTIST POLITICAL GROUPING, MOSTLY LED BY ARTICULATE YOUNGER MEN. THE SABAH'S, WHO CONTINUE TO HOLD DIRECTLY OR THROUGH THEIR CHOSEN AGENTS MOST MINISTRIAL PORTFOLIOS, ALREADY MUST TAKE INTO SERIOUS ACCOUNT RECOMMENDATIONS OF THE ASSEMBLY. IN FACT, PRESSURE FROM THE ASSEMBLY INEVITABLY HAS LED TO THE GOK TAKING PRE-EMPTIVE ACTION, PARTICULARLY IN THE SOCIAL SECTOR, TO STILL PUBLIC CRITICISM. COMBINED WITH KUWAIT'S

RELATIVELY FREE PRESS, THE NATIONAL ASSEMBLY CONSTITUTES A CONTINUING AND SALUTARY VEHICLE TO CURB EXTREME ACTION ON THE PART OF THE GOK.

9. THE IMPORTANCE OF THE ARMY TO CONTINUED POLITICAL STABILITY IN KUWAIT IS GREAT. PERHAPS OF EVEN MORE CONSEQUENCE IS THE LOYALTY OF THE LARGE "PALACE: (NATIONAL GUARD, WHICH HAS NOT RECEIVED MUCH USG ATTENTION IN THE PAST. BOTH CURRENTLY ARE CONTROLLED BY INTENSELY LOYAL, BUT INCOMPETENT, OFFICERS.

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NEITHER PROFESSION IS HELD IN HIGH REGARD BY THE ELITE. IT IS ONLY A MATTER OF TIME BEFORE THEIR YOUNGER AND MORE COMPETENT OFFICERS REBEL AGAINST EXISTING AUTHORITY AND DEMAND THEIR "RIGHTFUL" PLACE AS GUARDIAN OF THE KUWAITI STATE AND THE ARAB NATION. IF THE SABAHS PLAY THEIR CARDS RIGHT, THE "REBELLION" WILL

BE GRADUAL AND SALUTARY. IF NOT, IT COULD BE BLOODY AND DISRUPTIVE. IT IS FOR THIS REASON, PERHAPS EVEN MORE THAN TO PLACATE THE GOK'S PERSISTENT REQUESTS FOR COSTLY DEFENSIVE ARMAMENTS, THAT THE EMBASSY HAS URGED MAXIMUM EFFECTIVE USG COOPERATION WITH KUWAIT'S ARMED FORCES.

10. WE THINK THAT THE SABAHS WILL HOLD KUWAIT TOGETHER IN THE FORESEEABLE FUTURE, AS LONG AS THE MONEY HOLDS OUT AND THEY CAN COVER UP INTERNAL WRANGLING. MONEY DOES NOT SEEM TO BE A MAJOR PROBLEM AND THE FAMILY HAS A GOOD RECORD OF PULLING TOGETHER WHEN FACED WITH OUTSIDE CHALLENGES. UNDER THE CIRCUMSTANCES, THE US SHOULD PROBABLY COUNT ON CONTINUED SABAH RULE OVER THE NEXT DECADE. THIS WILL MEAN THAT THE GOK WILL LARGELY PURSUE PAST DOMESTIC AND INTERNATIONAL POLICIES PRESENTING THE SAME CHALLENGES AND THE SAME FRUSTRATIONS WE HAVE EXPERIENCED IN RECENT YEARS IN DEALING WITH KUWAIT. WITH OR WITHOUT OUR BLESSING OR HELP, KUWAIT WILL CONTINUE TO EXPAND AND MODERNIZE ITS ARMED FORCES. IT WILL ATTEMPT TO EXERCISE A LEADERSHIP ROLE AMONG ITS SMALL NEIGHBORS, BUT RELUCTANTLY FOLLOW ITS AREA SENIORS IN IMPORTANT ISSUES AND LOOK TO THEM AND THE "ARAB NATION" FOR REAL DEFENSE AND PROTECTION OF ITS TERRITORIAL INTEGRITY. AT THE SAME TIME, IT WILL CONTINUE TO REPRESENT A COOPERATIVE VEHICLE (THROUGH THE ERROR OF ITS "PROGRESSIVE" FOREIGN POLICY) TO THE COMMUNIST-BLOC IN THE LATTER'S EFFORTS TO FURTHER PENETRATE THE MIDDLE EAST.

11. THE EMBASSY HAS NO NEW RECOMMENDATIONS IN ADDITION TO THOSE MADE IN THE PAST CONCERNING THE HANDLING OF OUR FUTURE RELATIONS WITH KUWAIT. WE CONTINUE TO BELIEVE THAT IT IS IN THE US INTEREST TO MAINLY IGNORE KUWAIT ARROGANCE, BUT NOT THE KUWAITIS THEMSELVES. IT MAY BE A GOOD IDEA OCCASIONALLY TO COMPLIMENT PUBLICLY KUWAIT'S COMMITMENT TO DEMOCRACY. WE BELIEVE ON MOST ISSUES AND MATTERS OF REAL IMPORTANCE KUWAIT WILL GO MORE THAN HALF WAY TO MEET LEGITIMATE US REQUIREMENTS AND THAT IT GENUINELY SEEKS A MUTUALLY PROFITABLE AND BENEFICIAL BILATERAL RELATIONSHIP. ON THE OTHER HAND, AT LEAST UNTIL THE ARAB/ISRAELI DISPUTE IS RESOLVED KUWAIT WILL CONTINUE
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TO USE THIS LEVER TO FRUSTRATE AND DISTURB US ON LESSER MATTERS. IN THE EMBASSY'S JUDGMENT, OUR BEST COURSE IS TO PURSUE AN OPEN DIALOGUE WITH KUWAIT ON MATTERS OF MUTUAL INTEREST AND TO LEND MAXIMUM POSSIBLE ASSISTANCE (REIMBURSABLE) WHERE KUWAIT SEEKS HELP. WE SHOULD ASK OURSELVES WHETHER IN FACT KUWAIT'S FOREIGN POLICY OF PUTTING DISTANCE BETWEEN HERSELF AND BOTH MAJOR POWERS ISN'T ALSO IN OUR INTERESTS. FINALLY, WE SHOULD TAKE SPECIAL CARE NOT TO LET OUR IRE OVER ISSUES NOT CENTRAL TO OUR BILATERAL RELATIONS (THOUGH THEY MAY HAVE SPECIAL IMPORTANCE TO THE USG IN THE UN OR ELSEWHERE) DRIVE KUWAIT FURTHER TOWARDS EITHER THE SOVIET-BLOC OR RADICAL ARAB NATIONALISM. WE BOTH NEED EACH OTHER.
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